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Optimizing New Product Development in Nonprofit Organizations: Overcoming Roadblocks

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New Product Development in Nonprofit Organizations

One of the most challenging publishing issues for many organizations is the development of new products. Executives ask themselves where ideas for new products should originate: should staff be making suggestions; should board members; should authors?

This paper will explore why new product development in some organizations is not optimized.

It is written for publishing professionals and other executives in nonprofits, including: publishers, directors of publications, executive directors, communication directors, financial and administrative directors, and human resource directors. It is also appropriate for executives in charge of departments that are producing other new knowledge/information products including conferences, proceedings, certification, symposia, and education courses.

In this publication, I want to accomplish four objectives:

- Indicate why nonprofits possess numerous inherent advantages when it comes to new product development.
- Identify 11 possible causes for sub-optimization of new product development in nonprofits.
- Make suggestions about how to improve new product development by using a knowledge management approach.
- Recommend several useful *McHugh Publications* on the subject of new product development for executives and managers.

Why Should You Be Interested in New Product Development?

New product development is the lifeblood of the publishing business and for the other information businesses sponsored by nonprofits.

- Customers and members are always looking for the latest information.
- Markets change. The technology to deliver information to your customers changes.
- New competition appears and competes directly with your weaker products.
- Demographics change your members' and customers' buying habits. You need to consider the members of the MTV generation and Generation X as important customers.
- Product lines mature—and grow stale in the eyes of readers. This is particularly true in book publishing. Therefore, members perceive new publishing products as serving their needs.

For these reasons, it's important for top executives in nonprofits to encourage and monitor new product development.

Nonprofits' Advantages in Product Development

Nonprofits have one critical advantage over their commercial competitors in developing new product. That critical advantage is the immediate and free access to a wealth of information and knowledge about content, potential authors, editors, and markets.

Nonprofits enjoy this advantage because of their explicit or implied mission as an educational or professional association. Memberships typically consist of leading experts and practitioners in various professions or

disciplines. On a daily basis, a nonprofit's staff has meaningful exchanges with members (or at least the potential for such), which results in increased staff knowledge.

Many nonprofits are in the information and content business ipso facto. Nonprofits serve their members by providing specialized information packaged as publications. Add to this the fact that these organizations possess marketing and promotional advantages given their direct access to their members and other professionals. These factors should make nonprofits formidable publishing entities, on a par with commercial publishers.

Eleven Causes of Sub-Optimized New Product Development

There are several possible roadblocks to new product development. Some roadblocks are inherent in the dynamics of nonprofit organizations. Once executives understand these roadblocks, they can make an effort to remove them. Other roadblocks are more explicit and emanate from a specific executive mindset.

What causes many nonprofits to limit their new product development efforts? I have some observations that may answer this question. My observations are generalizations and obviously don't apply to all nonprofit organizations. However, I suggest that the following 11 causes are why some nonprofits sub-optimize new product development:

1. *Nonprofits are risk averse.*

Nonprofits are not in the business to make money per se. Risk taking is discouraged and, in some instances, penalized.

2. *Nonprofits are not opportunistic and entrepreneurial in nature.*

Executives perceive nonprofits as service organizations rather than creators of new products. Many staff mem-

bers haven't worked in for-profit, entrepreneurial companies and so do not have the mindset that new products drive higher revenue.

3. *New product development by staff is not encouraged or rewarded.*

Few nonprofits have incentives rewarding new product development initiatives. Bonus systems that reward outstanding performers are rare.

4. *Top executives create roadblocks to new product development by placing barriers in the way of creative and ambitious people.*

Some roadblocks include slow decision-making, requiring excessive paperwork, and layers of non-value-adding steps in the new product development decision-making process.

5. *Decision-making can be bureaucratic and cumbersome.*

Decision-making is slow, as some Boards of Directors must approve all new initiatives. Top executives should run interference between volunteer officers and staff if the volunteers are unreasonably interfering with staff's legitimate work.

6. *Boards and volunteers micro manage in areas where they have no expertise.*

Policy should be explicit in outlining the responsibilities of staff and the responsibilities of volunteers. Try to avoid what one publishing manager described in his organization: "We have a new chairman of our board who has become involved in every facet of our organization, from making decisions on our print runs to determining vacation policy... which he feels is too generous and needs to be cut in half." In this situation, the executive director should counsel the new chairman by referring to the appropriate policy.

7. New product contribution to annual revenue growth is not measured.

Short-term costs are overly scrutinized. The contribution of new products to sales and overall association growth is not measured.

8. Publishing units are resource starved. Executives do not perceive their organizations as being in the information/knowledge business.

Publishing is not understood to be a specialized business. Executives in nonprofits do not appreciate the complexities and nuances of publishing. Publishing is just one of many income streams including membership, certification, education, and conferences.

9. No one is charged with the responsibility of new product development or empowered to execute new product development.

New product development is not the responsibility of one executive. No one owns the success of new products. New products require energetic champions. New products do not happen in a vacuum—someone must take the initiative. The new product champion must own the process.

10. The organizational structure inhibits internal communications to foster new product development.

Departmental barriers inhibit the sharing of information that would prove valuable in the new product development process. A silo mentality permeates many nonprofit organizations. To overcome this impediment, start a new product incubator in your organization as described below. As you will learn later, by adapting a knowledge management (KM) approach, you can enhance the new product development function.

11. The collective intelligence and creativity of the organization is not fully utilized in new product development.

Intelligence and creativity must be harnessed in order to produce successful new products. Executives should schedule periodic brainstorming sessions to mine the rich intellectual capital residing with their staff. Executives should adapt a knowledge management approach to further the cause of vigorous new product development.

What Executives Should Do to Be Successful

In order to avoid sub-optimizing new product development initiatives, executives should encourage creative staff to engage in new product development. Risk taking, within reason, should be rewarded, not punished. Make sure that someone on your team has responsibility for new product development and will be accountable for outcomes. Educate your board and trust that they are intelligent people who will understand why their involvement in daily management and creative decisions is unrealistic and imperils the financial health of the organization.

New product development cannot succeed in a vacuum. Someone in the organization must be responsible for new product initiatives. Successful new product development takes empowered leaders to champion the introduction of ideas for new products into the organization. Quite often an empowered staff member and an enthusiastic volunteer member form the best team to see new product development through organizational resistance and skepticism.

Knowledge Management in Nonprofits

Leadership of nonprofits must recognize that the organization is rich in intellectual capital and should capitalize on this. In its most elementary form, “intellectual capital is the sum of everything everybody knows that gives

it a competitive edge” according to Thomas Stewart in his definitive book, *Intellectual Capital*. The systemic sharing of intellectual capital is called Knowledge Management. Dawson expresses it this way:

The core of these knowledge management initiatives is in building and developing of relationships between people, both by putting people together to share their useful knowledge, and providing electronic media to capture, store, and communicate information which represents the knowledge of people.

Training magazine (September 1999) states: “KM is an effort to fully capitalize or tap an organization’s collective experience and wisdom—including ‘tacit’ knowledge in people’s heads—and to make it accessible and useful to everyone in the enterprise.”

The leadership in KM must come from the top. Executive directors should appoint a small task force—three to five people—to plan a KM database. This database should codify the organization’s intellectual capital. Do not make this an effort in information systems. Make it practical and useful for the entire organization.

Training recommends that organizations codify and store knowledge in a database “where it can be accessed and used easily by anyone in the company. Knowledge is codified using a ‘people-to-people’ approach; it is extracted from the person who developed it, made independent of that person, and reused for various purposes.”

New Product Development Incubator

After the KM system is planned, the organization should start a New Product Development Incubator Group. A KM system and a New Product Development Incubator institutionalize KM in the organization.

Here are the steps on how to start a New Product Incubator Group:

1. Leadership for the Incubator Group initially should come from the Executive Director’s office.

2. Select the members of the Incubator Group. Anywhere from five to seven people is the target.
3. Plan to meet quarterly with a rotating chair and rotating secretary. Make attendance required. Meet for two to three hours maximum.

Prepare a short agenda for each meeting. Discuss these topics:

- Significant New Trends Affecting the Organization
- New Competition
- Comments on the Organization’s Web Site and Suggestions for Improvement
- Ideas for New Product Development
- Patterns and Trends Emerging in the Marketplace
- Comments and Observations from the Field or Conferences Attended

The secretary should prepare and summarize the minutes and distribute them to Group members. The minutes should be reviewed at the next meeting. After two or three New Product Incubator Group meetings, you should see a number of attractive, new product ideas evolve.

The key to success in any small group is selecting the right people for the team. I am not necessarily saying that only the “brightest and the best” should be selected for the KM team, but clearly you want to pick bright, energetic contributors who will make a difference. Ensure that the KM team has members who are independent thinkers and risk-takers who will challenge the group to stretch their thinking. “Who is on the bus and what seats they are sitting on is more important than determining when the bus will leave or even where it is going” is some wisdom expressed by a McHugh Editorial Review Board member on the subject of teams.

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You might find valuable a brainstorming session led by McHugh as an alternative to a retreat. McHugh will bring out the many excellent ideas possessed collectively by your staff on the subject of new product development. To learn more, call 414-351-3056 or send an e-mail to jack@johnbmchugh.com.

About John B. McHugh

John B. “Jack” McHugh is a 40 year veteran of the publishing business. Jack has worked as an executive for Houghton Mifflin, Wadsworth, and Saint Mary’s Press. Jack is also an experienced association publishing executive. For seven years, he was Publisher and Director of Programs at the American Society for Quality and for a two-year period, he served as the Interim Publisher at the Project Management Institute. He is a member of the ASAE Advisory Board for Publishing, Communications, and Media Issues and Practices.

Jack’s specialties include association/nonprofit publishing, book publishing, executive recruiting, journal publishing, rights and permissions, new ventures, organizational design, and social media strategy and policy.

McHugh and Liz Novak, of IAPD, are co-authoring a series of papers on Networking Techniques. Jack McHugh is also the manager of the LinkedIn™ group, Association and Nonprofit Publishing.

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